

**BILATERAL PRESS CONFERENCE  
ON THE U.S.-RP TRADE AND INVESTMENT COUNCIL  
Manila Peninsula Hotel  
November 20, 2002**

(Briefers at the bilateral press conference following the U.S.-Philippines Trade and Investment Council (TIC) meetings were: USTR Robert Zoellick, Secretary Mar Roxas, Philippines Department of Trade and Industry and Philippines Executive Secretary Alberto Romulo.)

**Secretary Roxas:** Thank you. Good evening to everyone. Welcome to this press conference on the outcomes of the Philippine and U.S. talks arising from the TIFA that is already in place between the Philippines and the U.S. There was a broad range of discussions on a variety of topics, which was frameworked by the discussions earlier this morning during the ASEAN-USTR consultations pertaining to the Enterprise for ASEAN Initiative, and how, in fact, this would apply to the Philippines. Consistent with the discussions earlier this morning, the discussions were in the nature of working within the TIFA that already exists for the Philippines, a specific work program that will include areas such as biotechnology, intellectual property rights, customs procedures and the like, and others that both sides will be including in that agenda. The discussions were fairly detailed and, on the Philippines side, specific agencies or offices that were involved in a variety of these matters participated in these discussions. The results were encouraging, and are all leading towards a work program to resolve any outstanding issues between the two countries.

The Philippines places highest priority to these talks, as evidenced by the presence of Executive Secretary Romulo, not only in this session, but as well during the lunch with the President earlier this morning. With those opening remarks, I'd like to turn it over to my colleague Bob Zoellick for his remarks.

**USTR Zoellick:** I'll be very brief. I just want to thank my friend and colleague, Minister Roxas. As always, he's been a gracious host, but he also put together a bilateral program here that I found enormously useful because I know, from our prior work, that he brings a combination of economic, and business and, of course, political insight. But what we covered today was exactly what I needed. And in the process of discussing various issues, some of which he mentioned, we got a little sense of the concerns and thoughts behind the problem, whether working with our respective congresses, or with the various ministries where people were kind enough to have undersecretaries come in and talk to us about it. So, I found it be a very rich and useful discussion.

Second, I want to thank the President and her team for being so gracious as to give me an opportunity to talk to her about their plans and reform efforts. And I think we had a particularly rich discussion at lunch, where some of the other ASEAN ministers were asking the President about the overall reform agenda, ranging from microcredit to dealing with problems of poverty, and it was particularly enlightening. And I find that

useful because, as many of you know, trade is now a device that has to fit into a larger economic agenda. And in this part of the world, it's most important, of a development agenda.

And finally, I think that, in our context, we didn't do this just to be a meeting without a follow-up, so we've established two official contact points on the variety of issues. And the Minister and I also talked about how we can involve the private sector in this relationship. And that includes two dimensions: one is the private business sector, because to demonstrate how reforms create jobs and how liberalization helps improve the standard of living in the Philippines and the United States, we want to try to bring in the business people who can take advantage of market openings and, hopefully, bring more investment, added jobs. But we also talked about trying to bring in some of the private academic sector, to look at the nature of the relationship and perhaps have some analyses – independent analyses – done of how a deeper economic relationship between the United States and the Philippines would affect trade and investment flows, and our overall integration. And when I return -- I mentioned some ideas I had to Minister Roxas about some institutes in Washington that we might be able to persuade to undertake some work on these. I was a member of the Board of Directors of most of them, at one point or another, before I returned to government. And so, I am very excited about the prospects, of how, not only we can work on individual issues, but deepen and broaden the relationship.

**Q:** Has the Philippines pressed for any trade concession from the U.S. side for our all-out support for the Bush Administration's global war on terrorism?

**Secretary Roxas:** It is not so much pressing for specific trade concessions. The Philippines has presented some issues of importance to us, including access to the GSP mechanism, in particular with respect to carageenan. We also presented issues pertaining to continued market access for our garments industries through interpretations of the quota rules, which are about to expire, in any event, and which, hopefully, we can present a case for an interpretation that would be helpful to us. We also presented our issues pertaining to our desire for help from the U.S. with respect to the furtherance of the intellectual property rights agenda, strengthening appreciation for the impact of violations of these rights on an economy or investment. So, it was in the nature of an exchange of views. We welcome very much the open attitude that was shown by the U.S. on these issues, and look forward, through the mechanism that USTR Bob Zoellick mentioned, through that mechanism being able to close the loop.

**USTR Zoellick:** If I could chime in on this. Let me just give you three examples, to give you a sense of how this interaction works. In the areas of Generalized System of Preferences: this has been part of U.S. law for many years, and what it means is we give to developing economies zero tariffs for certain products, unilaterally. In other words, not part of the negotiation. This law had expired last year and part of the President's trade package this year managed to extend that, and we then initiated a series of reviews to see what products we could add to that. And it gives you some sense of the standing and the importance we place on the relationship with the Philippines that we agreed to do an

expedited review for three countries – the Philippines, Argentina and Turkey. In the case of Argentina, it was obviously driven by their financial crisis. In Turkey, it's given the overall importance of that relationship, but the Philippines was also one of the three. Now we have other items, that will be going through a normal course of review, and I wish I could tell you now whether they'll be granted, but they have to be reviewed by our International Trade Commission for various items of sensitivity. That's an example of the sort of thing we talked about. I think we had about, over 11 billion dollars of imports from the Philippines last year, and about one billion of those qualified for this GSP. So, it has a real benefit.

The second example is what Minister Roxas mentioned, intellectual property. The Philippines has a growing knowledge industry, in terms of entertainment and videos and others. So, obviously, does the United States. So, we are trying to work with countries to help them add to their intellectual property protection. But we know that resources are strained. This often requires courts to understand new legal aspects, and so our AID mission here has worked with Minister Roxas and others to try to see how we can be supportive. For example, with the judicial education programs that you already have in the Philippines, how to help understand some of these newer areas of law that weren't as much part of law as when I studied it some twenty years ago.

And then, third, is the fact that in textiles and apparel, I think we imported about 2.2 billion dollars worth of textile and apparel from the Philippines last year. And we have some transitional issues that the Minister mentioned, but we also started to engage in a discussion about what will happen to the Philippines apparel exports when all the quotas come off, because frankly, the international trading system has had a multi-fiber agreement and quotas now for some forty years. And one of the things that was negotiated in the Uruguay Round, was the removal of all those quotas by the year 2004. Well, then countries like the Philippines are going to face a question of whether or not they can sell in the United States, but they're going to face more direct competition from others. And, obviously, we want to try to do what we can to help the Philippines remain in a good trading relationship with the United States. Since the quotas have started to be liberalized in 1994, Philippines apparel exports have increase by volume by some 73 percent, a big, good boost. So one of the things that we discussed in this interim phase can we help perhaps link in with some of the retailers in the United States to make sure the relationships are well developed here. So frankly, it will be less a question of the Philippines competing with American producers and, at that point, more the Philippines competing with other producers and what can we start doing now to help present that. It gives you a little sense that this is less a kind of a zero sum exchange, and more of trying to develop a trade and economic relationship.

**Q:** How long will the review take place? You mentioned the review about deals with the Philippines?

**USTR Zoellick:** I'm sorry, which review the GSP or...?

**Q:** Yes.

**USTR Zoellick:** The expedited review, which, I think, deals with pineapple juice, is the first item, we're supposed to have a conclusion on that by March of next year. And then for other products -- and we're just opening up the lists now to get some of the Philippines and other countries requests -- I believe it's by July of next year. And you see, this doesn't mean that GSP isn't operating now, it is, this is the question of additional items.

**Q:** Mr. Zoellick, last night you mentioned that you are here to gauge the interest and desire of the Philippines to fast-track this negotiation, or the steps towards an FTA. Have you both decided, individually response, how fast the Philippines and the U.S. can go ahead with the bilateral negotiations on an FTA?

**Secretary Roxas:** We looked at the question of an FTA within the context of the Enterprise for ASEAN Initiative, which the U.S. offered to the ASEAN members, including the Philippines. One of the elements of that opening, or that opportunity, is that each country will proceed according to its pace and according to its comfort level. I think that meetings such as this, which produced a healthy outcome of a closer working relationship, is a good step in the right direction as we move closer, towards a closer economic relationship. An FTA may or may not be at some point down the road, but certainly, it is something that we should always be considering and be mindful of.

**USTR Zoellick:** I seem to be thinking in threes today, so let me give you three parts to answer your question. First, some of the items we discussed with one another would be the building blocks of either a deeper economic relationship or, possibly, someday a free trade agreement. So, for example, we talked about intellectual property. Well, that's an important part of any free trade agreement, and so we're trying to lay the groundwork with some understanding of how the Philippines is adjusting its legal system, the enforcement, the institutional system.

So step one is a good economic bilateral relationship helps lay the foundation. Step two, is, as I mentioned to Minister Roxas, that we would be pleased, as we finish drafting our language with our Singapore agreement, to share it with the Philippines, so that they could see in the case of Singapore, what the type of free trade agreement we've developed, looks like. This has a number of chapters: e-commerce, customs issues and transshipment, competition policy. And so, since we haven't even finished the drafting yet, it's a little premature to suggest one's taking the next step. But it would, it allows us then to take some of those areas and see whether we might start working on them, individually and sectorally.

And the third part is that we recognize that trade liberalization in all countries is an item that is politically contentious. It is certainly contentious in the United States. I'm having to deal with this all the time, because I've got my share of protectionists. And obviously, there are people in the Philippines that see the potential of a free trade agreement, but also that are worried about it. And so one of the things we discussed was how do we try to inform that debate. It's not just a question among governments this has to be public.

Publics have to decide whether they want to engage in this. And so, this is how we shared some ideas about having some independent analyses done, to help shape the debate.

**Secretary Roxas:** If I may just add, I think what's important to note is that the negotiation of an FTA is really a serious undertaking. And we would not want to start this without having fully considered the action we would be undertaking. I know the United States takes it quite seriously. For a country such as Singapore, which in conventional wisdom is relatively open and liberalized, it took about two years. So this is something that is very serious so it is not a topic that is just conveniently tossed around.

**USTR Zoellick:** Let me follow up with this point that Minister Roxas made, because it's an exceptionally good point. For some people, they throw around the idea of an FTA as if it's a sign of economic comity – c-o-m-i-t-y. And I think that in part reflects the fact that when some countries do free trade agreements, frankly they are a little, abridged. And in part of the traditional free trade, we're already establishing things through things like Generalized System of Preferences and our average tariff levels. So when the United States does a free trade agreement it is very comprehensive, it's a very deep agreement. And as I've said to Ministers from other countries, one should not enter this lightly because it takes a lot of work and it takes a big commitment. And I have to compliment Minister Roxas is that from the start when we've discussed this subject, he's always made the case. And I think it's a very wise approach, that if one considers this, you have to engage your society, and your interest groups so they understand the benefits and some of the problems of the adjustment. Because the worst thing is to try to spring this on a public or a business community, that will inevitably raise anxieties and fears. So you can see what we're trying to do is with the President's initiative, he's offering a framework and we're trying to say how we can work together, with ASEAN integration and bilaterally. And the best example I can give you is that I'm going to be seeing a Minister from another country later today and I think he was going to ask about how to follow up on the TIFA program. And the starting point was to use the rich discussion we had with Minister Roxas and say this is what we need to do with you.

**Q:** I wanted to ask Secretary Roxas and Ambassador Zoellick: There were several surveys that came out recently saying that a lot of the multinational companies and foreign businessmen are not keen on doing business or going to the Philippines as an investment site because basically of a negative image. And then also for the Philippine side, a lot of our industries are still basically uncompetitive. So, how are you going to deal with these two issues when you draft the Free Trade Agreement for the Philippines?

**Secretary Roxas:** Well, first, let me just address the premise of your question that all of these issues are in the context of drafting a Free Trade Agreement. We just spent a few minutes describing why in fact we're not at that point as yet. Clearly, in any business sector there will always be those who are unhappy with the situation. That the government continues to endeavor its best efforts. It's a hundred percent efforts to correct all of these infirmities in the present systems. That the Philippines can be competitive and could be an ideal site for other location of investment. I think it's important that your

question was asked because indeed this is not just a trade negotiation, but it's actually a trade and investment council as part of a trade and investment facilitation agreement. So, we are interested in investment. We are interested in making the Philippines a venue for the welcoming of investment. It's in that context that some of this work program is being undertaken so that in fact we can become much more attractive. Thank you.

**Ambassador Zoellick:** Let me try to respond this way. When I served in the U.S. Government before from 1985 to 1992, I came out a number of times to the ASEAN region and have always been impressed by its dynamism and the leadership that we've seen in the region. When I was in Thailand early this year meeting with Minister Roxas and others, I had occasion to look at some of the statistics about direct investment flows into China vs. Southeast Asia. And while Southeast Asia remains an important destination for investment, it was just so striking to see the direct investment flows into China which are 50, 60, 70 billion dollars a year. It was partly that experience in my discussions with my colleagues that led me to develop the Enterprise for ASEAN Initiative because it's a way of demonstrating that the U.S. Government believes that there is extraordinary economic potential in this region and to recognize the integration that's taking place within ASEAN itself for the ASEAN Free Trade Agreement and some of the business possibilities that offers. But then in addition to setting the scene, we have to deal with the practical work. So, this morning we talked about that in the ASEAN context and today we talked about it in the Philippines' context. There are a number of businesses that have already made U.S. businesses that have made very important investment decisions about how the Philippines fits in a global strategy. So, you have companies like Intel here who have decided that part of their development of information technology business needs to incorporate the Philippines. It's got a hard working, educated labor force, and in the right structure, can be an important component. You have FedEx and UPS that is part of their overall strategy of moving product in a global system, see the advantages that the Philippines has a hub. Your getting increasing ideas about trying to draw the Philippines in call center businesses because of the English language comparative advantage in this country. So, there are a number of attributes that are beneficial but of course there are problems. And again, what was helpful for me was to the President's strong commitment in having a structured plan about dealing with everything from infrastructure to poverty. And that helps us try to fit these items in. Now, at the end of the day Minister Roxas and I both come from the private financial sector, we know that capital makes a decision based on alternative, and so what we can try to do is create the best environment in which it would operate. Minister Roxas and his colleagues on the side of how to make the Philippines an attractive place for investment, and job creation on my side and how to link it to others. That's exactly the type of discussion that's going on. So, I wouldn't be quite pessimistic yet at least based on my discussions.

**Secretary Roxas:** Let me also take this opportunity to bring in Executive Secretary Romulo to the discussion. As you know, many of these topics involve areas or departments outside of the DTI, and it's really to underscore how serious the Philippine Government is, not necessarily vis-à-vis the US alone, but really for our own agenda of making ourselves an attractive investment site. How do we address all of these matters.

**Executive Secretary Alberto Romulo:** Well, we were at the meeting when the President spoke with the US Trade Representative, Mr. Zoellick and the other ASEAN ministers were there. And I think we look at this as a framework by which we can encourage more investment to the Philippines and more trade, more exports from our country to other countries. And so the discussions on the FTA was very enlightening to us because we want to promote this. We want to alleviate the poverty in this country, and we can only do that if we can have more jobs generated and we can have more jobs generated if there are more investment, and we see this FTA as a vehicle for this. Now, as we have discussed here there are benefits and problems, and I think that's the reason why we have developed a framework where we can discuss this freely. And I think that's important so that our people would know – would be with us whatever we do in this FTA. They have to understand the benefits but also the concerns that we have, and so that is what we're addressing. As far as the Philippine Government is concerned, Secretary Roxas is correct that we have to be together here because if we have to encourage investment and promote our own interests, then we have to see that the government machinery are working effectively and smoothly. And so we have to remove many of the bottlenecks, you know, that bedevil a system. I think we're going in that right direction, and that is the job that I have. I try to help and get all the departments working together so that we can remove these cobwebs and then make the system work as smoothly as possible, and thereby ensure that we will attract investment, that we're investment friendly and that therefore there will be investment here to create the jobs that we need.

**Q:** To Secretary Romulo, is the President satisfied with the trade concessions or aid given by the US? And has these been commensurate to the Philippines all out support to the Bush administration?

**Executive Secretary Romulo:** Well, I think we have discussed a number of discussions that we've had vis-à-vis the Philippines and the US, and I think we're in the right direction where, you know, the mutual interests of both countries have been served. But of course during the discussions, we brought up a few markers to Mr. Zoellick that I think, you know, would enhance even more this relationship. And I think Mr. Zoellick understood this and I think the relationship between our two countries is such that we cannot but have progressed in this area.

**Ambassador Zoellick:** I've heard a couple of times since I've been here the discussions by some Filipinos about the fact that the Philippines' government is helping President Bush on security. That is certainly true and we're very pleased to have the President as a partner and friend. Let's keep in mind the Philippines is doing this for its own interests, not just for the United States interests. The people that threaten the Philippines are threatening the people here. And if you ask questions about business investment and climate that affects the business climate investment. So, I think it's a wrong timing whether you go to Bali, whether you go to the Philippines or whether you go to any site where terrorists have operated, is to recognize that we're all on this together. And that's part of the reason why on the economic side too, we want to try to

help create an environment where there's hope and opportunity in societies and so people look to create things as oppose to destroying things. But I do not accept the proposition that the President is doing things for President Bush. She's doing things for the people of the Philippines, and it's in the interest of the people of the Philippines to make sure that you don't have killers on your soil that kill your own people, and destroy the opportunity for businesses to operate here. Thank you.

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